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TECHNICAL NOTE

LISTENING TO CLIENTS: TOOLS FOR ASSESSING THE FINANCIAL SERVICE NEEDS AND PREFERENCES OF THE POOR

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SUMMARY

As the new millennium unfolds, the microfinance industry faces an old challenge: improving outreach to poor individuals and households. In response to this challenge, promoters and providers of microfinance are turning greater attention to market-driven client-led product development for the poor. This technical note describes some market research tools that have been used by the AIMS project and MicroSave-Africa to improve understanding of the financial service needs and preferences of poor individuals and households. With adaptation to local contexts and environments, these and similar tools can generate information that can be useful in developing new product concepts and designs that match the needs and preferences of the poor.

I. INTRODUCTION

As the new millennium unfolds, the microfinance industry faces an old challenge: improving outreach to poor individuals and households. While microfinance is widely understood to be a poverty reduction strategy, many programs have not been as successful as they would like to be in reaching the poor. Moreover, a growing body of research on the impact of microfinance suggests that while it plays an important role in helping many clients manage day-to-day risks and take advantage of economic opportunities, it plays less of a direct role than expected in reducing the incidence and severity of poverty. (Barnes 2001; Chen and Snodgrass 2001; Chua et al. 2000; Dunn and Arbuckle 2001; Hassan 2000; Hulme and Mosley 1996; Mosley 2000; Sebstad and Cohen 2001 Wright et al. 2000).

An over-riding factor that limits the impact of microfinance in reducing poverty is the difficult context in which poor households and enterprises exist. In the face of persistent downward economic pressure, uncertainty, and financial stress, access to microfinance services is important for the poor. However, the narrow range of products offered by Microfinance Institutions (mostly short term working capital loans) and the fact that many of these are not designed to meet the financial needs and preferences of many poor people limits their impacts on poverty reduction. Moreover, the limited scale and outreach of microfinance programs in most places also reduces their potential impacts.

Successful product design requires an understanding of the financial needs and preferences of clients (and potential clients) and how borrowing and saving fits into their money management strategies (Brand 1998a, 1998b; Wright 2000). Until recently, many Microfinance Institutions (MFIs) have thought of client behavior more narrowly, equating client satisfaction with repayment and repeat borrowing rates. They have paid less attention to how people actually use savings, loans, and other formal and informal sources of finance in managing their financial needs. Client behavior beyond repayment has not been a principal concern.

In this context, many MFIs do not give sufficient attention to the needs and preferences of poorer clients, how they use finance to manage risk, and the role of microfinance in this process. Program managers often do not have a sense of how well the products on offer reflect the risks that poorer clients face, how they use finance to manage these risks, and how relevant their products are in this context. Moreover, many MFIs do not know how relevant their products and services are for various sub-groups among the poor and whether the design of existing products may exclude certain categories of the poor (Hashemi and Matin 2001).

Understanding client behavior goes beyond simply looking at how they use and repay their loans. It requires an awareness of the economic goals of poor households, how people manage resources and activities in the context of their household economic portfolios, and how they deal with risk in their day-to-day lives. Understanding the financial landscape in which clients operate – and how they use a range of formal and informal sources of finance to meet needs, mange risks and take advantage of opportunities – can provide further insight on client needs and preferences. With this as a starting point, it is possible to see how financial services can (or could) and do (or do not) fit into the process. These factors all affect clients' capacity to assume debt, tolerate risk, and use financial resources effectively to generate a stable income flow and build assets (Sebstad and Cohen 2001).

A key challenge facing the microfinance industry today is to develop products that meet the needs of the poor. Namely, products that provide poor people a lump sum of money – in the right amount and on the appropriate terms when they need it. Ensuring that the terms, conditions, and delivery of financial products correspond to the financial cycles of the clients can reduce risks both for clients and for lenders' portfolios.

A. Limitations of microfinance products and services for the poor

To date, the microfinance industry has been largely "supply led" rather than "demand driven". In the quest for sustainability and manageability, many MFIs have focused their energies on developing operational systems and institutional frameworks to deliver a fairly narrow range of pre-defined credit products.[1] Most MFIs assume that at least some of their clients are poor and that the microfinance products offered are good substitutes for exploitative moneylenders and other informal sources of finance. Beyond a concern for repayment, MFIs have paid limited attention to the demand side of the equation. Specifically, whether the products on offer meet the financial and practical needs and preferences of their intended market.

From the perspective of clients, the loans offered by microfinance institutions are welcome in light of few alternatives, especially from formal financial institutions. However, they nevertheless have several shortcomings:

Lack of flexibility: Fixed loan sizes, repayment periods, and installment amounts often correspond to the needs of only a narrow range of clients. Blueprint models of working capital loans do not always match the local environment in which they are introduced.

Lack of timeliness: In many cases, loans are not available when they are needed. Because of uncertainty in the timing and sometimes size of disbursements, people miss opportunities when they present themselves, or they are unable to respond to needs in a timely fashion when they arise.

High borrower transaction costs. The costs to clients associated with cumbersome application and/or repayment procedures; group meetings; proximity of the service provider to clients; opening bank accounts; cashing checks; etc. often are not considered in the design of products.

Assumption that microfinance is used for microenterprise development: The assumption that loans are for enterprise development shapes the terms and conditions of loans, and

[1] The limited attention to clients is partly a result of the replication by MFIs of models and products from other countries and cultures with limited reference to the local environment (Wright 2000, Hulme 1999). This is exacerbated, in some cases, by lack of competition in many of the markets in which MFIs operate. Lack of competition combined with a high demand for credit means that MFIs can offer almost anything. People will still demand the products and services because they lack other alternatives. (Wright)

makes them less appropriate for other uses (although they often are used at least in part for other things). Repayment capacity often is based on the cash flow of a particular enterprise, rather than the household capacity to repay, which misses the reality of how people actually manage debt.

Limited range of microfinance products and services: While acknowledging the considerable institutional and operational challenges of diversifying financial products and services, microfinance institutions tend to stick to working capital loans and involuntary savings. A few programs provide loan insurance but only a few address client needs for health, disability or life insurance. This limits their market, their growth, and their potential for impact.

A result of these limitations is that client strategies often involve patching together micro credit with other sources of finance. This reflects resourcefulness on the part of clients and provides a snapshot of the range of formal and informal sources of finance available to an individual. The use of multiple sources of finance in times of crisis very often involves patching. However, this adds to stress of the crisis situation and this stress often extends well beyond the crisis event.

B. The importance of market research on clients to improve the design of microfinance products

Lately, the microfinance industry has begun to consider the extent to which high client turnover, limited portfolio growth, and repayment problems may be related to limitations of the design of products on offer. This has contributed to a shift in the direction of a market driven, client led agenda. With this movement, the debate surrounding microfinance as a poverty reduction strategy has moved beyond an emphasis on the negative impact (or not) of debt and inappropriateness (or not) of credit for the poor. The debate has begun to transform into a more positive and constructive focus on developing new financial products that respond more effectively to the needs of the poor. Some MFIs are beginning to advance beyond a purely supply-driven approach that considers the design of products as a given towards a more demand-led approach that considers a broader range of appropriate credit, savings, and insurance products. While recognizing the costs and challenges of developing and delivering a more diverse mix of products, this new attention to client financial needs is welcome.

Several approaches and methodologies for developing new microfinance products have been put forth in recent years (Brand 1998a and 1998b; Wright et al. 1999; McCord 2000; Simkhada, et al. 2000; Cohen and Wright 2001). The actual application of these methodologies is breaking new ground in the industry. The results also are providing a dose of reality about the considerable challenge of understanding the needs of the poor and developing financial products that respond to these needs. All of these approaches emphasize the importance of understanding client needs and preferences and their use of formal and informal sources of finance. Some also stress heterogeneity of clients and the fact that the needs and preferences of potential clients differ. A few underline the importance of focusing specifically on the needs of poor micro-entrepreneurs, individuals, and households.

The purpose of this technical note is to present several client assessment tools that have been used in the context of the AIMS project. They have been developed with particular reference to understanding the financial services needs of poor people to reduce their vulnerability. The issues covered by these tools include:

- Risks faced by different groups of people (e.g., life cycle risks, emergencies, structural risks, enterprise risks).
- Strategies that different groups of people use to manage key risks (ex ante and ex post strategies).
- The use of existing formal and informal sources of finance in this process including the existing financial landscape (the range of formal and informal sources of finance used in a particular community or market) and how various sources are used to manage different risks.
- Gaps, shortcomings and limitations of existing formal and informal sources of finance, especially for different groups among the poor and different purposes.
- The potential for MFI products and services to fill these gaps.

These tools recognize that people use financial services for more than enterprise development. They further recognize that in many cases, *no single source of finance is able to cover a loss* stemming from a crisis or a single investment need. People often have to patch together chunks of money from various sources, with high transaction costs. For people facing a crisis, there is *stress associated with getting the money; stress associated with paying it back*. They also recognize that many individuals and households are *already indebted* and may have restricted access to existing sources of finance, including informal sources. Further, client financial management strategies require *more than one financial service or product*. Thus, maintaining a diverse set of options in the financial landscape – including savings, credit and insurance products – is important and desirable. For many people, microfinance is just a small part of their debt. The tools also recognize that for clients, the financial service needs change over time. They may vary according to the time of the year, the life cycle stage of the individual or household, and the point in the business development process.

The tools also recognize the limitations of current MFI products and services in responding to clients' need for a chunk of money in response to a crisis, life cycle event, emergency, or unanticipated opportunity. Financial services (loans, savings, and insurance) need to be more responsive to client needs in terms of size, timing, repayment amounts and cycles (to match income and expenditure flows). This will make microfinance services more attractive to a wider range of clients and lower the risk of lending to poorer clients and the risk to the loan portfolio.

II. CLIENT ASSESSMENT AS PART OF A DEMAND-LED APPROACH TO DEVELOPING FINANCIAL PRODUCTS AND SERVICES FOR THE POOR

This paper describes a preliminary set of client assessment tools developed by AIMS and MicroSave-Africa. They have been used to carry out market research on financial services for the poor in several settings. They are presented as examples rather than blueprints. They are intended to stimulate thinking on how to approach market research, the types of questions that might be asked, and how the information gathered may be used. It is important to note that they require adaptation to a particular situation. They are intended as a starting point for thinking about market research on the financial needs of poor individuals and households.

The information generated by market research tools can be seen to feed into the first three steps of a larger framework for developing new financial products and services for the poor. This framework starts with the demand side of financial services at the client level and links this information to the supply side of financial services at the community level. This larger "new product development framework" involves seven steps (McCord 2000; Wright 2000; Brand 1998a, 1998b; Cohen and Wright 2001):

Step One: Market Research

Step Two: Product Concept Development

Step Three: Preliminary Product Design

Step Four: Feasibility Assessment

Step Five: Pilot Test

Step Six: Pilot Evaluation

Step Seven: Roll Out

Market research

Market research focuses on the life cycle risks facing particular groups of poor individuals and households and their use of formal and informal sources of finance in managing these risks. It maps the financial landscape – the range of informal and formal sources of finance used within a community – and which sources are used by different groups of people for different purposes. It considers wealth levels and other key groupings (e.g., gender, occupational or geographic grouping). It further considers how existing microfinance products and services fit into the overall financial landscape. (Related tools include wealth ranking; Participatory Rapid Appraisal (PRA) on specific life cycle risks and coping strategies; loan and savings use tool; and financial landscape mapping.)

Product concept development

Product concept development involves identification of the shortcomings and gaps of existing formal and informal financial products and services for managing key life cycle risks and financial needs. This information serves as a basis for identifying "space" for new or improved financial products (credit, savings, and insurance) that can fill these gaps. (Related tool includes information analysis matrix.)

Preliminary product design

Preliminary product design involves identifying specific credit, savings, and insurance products and services, and sketching out some preliminary design features. These concepts are then discussed in focus groups. The purpose of the focus groups is to solicit feedback and input on design features from potential clients and to assess potential demand for these products. This step also involves preliminary identification of alternative institutional arrangements for delivering these products and services – either through existing organizations or new institutional partnerships. (Related tool includes focus group interviews centered on product concepts and preliminary design.)

The tools described in this technical note have been developed and used in the context of several client assessment efforts undertaken by the AIMS project and MicroSave-Africa over the past few years. Under AIMS, SEEP has developed client-led impact assessment tools. The Center For Microfinance in Nepal has collaborated with the AIMS project in developing an approach to assessing risks and coping strategies of rural women and feeding this information into the design of savings and insurance products. These tools borrowed heavily from MicroSave-Africa's Market Research for Microfinance Tools, which have been used by a number of microfinance institutions in Africa and Asia (Simkhada et al. 2001; Wright, et al. 1999; Nelson, et al. 2000).

Several principals that underlie this approach to developing financial products for the poor are set forth by Rutherford (2000):

- Products should be designed to suit poor people's capacity to save and their needs for lump sums. Specifically, people should be able to save or repay in small sums of varied value as frequently as possible. They should be able to access lump sums through withdrawals or through loans when they need them in the *short term* for some consumption and emergency needs; in the *medium term* for investment opportunities and some recurrent life cycle needs; and in the *longer term* for other life cycle and insurance needs like marriage, health care, education and old age.

- Delivery systems should be convenient for the poor; local, frequent, quick and affordable; unburdened with paperwork and other excessive transaction costs; and transparent in a way that is easy for illiterate or semi-literate people to grasp.

- Institutions should be adapted to delivering good products that are committed to serving the poor and cost effective.

- The environment for financial services for the poor should be healthy, including stable macro economic policies and financial management by government; the rule of law; and enabling rather than restrictive legislation governing promoters and providers of financial services for the poor.

III. EXAMPLES OF CLIENT ASSESSMENT TOOLS

This section describes several tools that can be adapted by MFIs to improve understanding of client priorities and gaps in the current financial landscape. It further suggests how this information can be used in developing product concepts and designing new and/or improved financial products, particularly saving and insurance products. Appendices at the end of the technical note provide examples of how these tools have been used in Nepal.

Specifically, the tools are designed to provide information to:

- Identify key life cycle and other financial risks facing clients and potential clients. Assess client needs for 'chunks of money' to manage risks and to take advantage of opportunities. Assess the time frame of the anticipated need for the lump sum of money in the short, medium, or long term (Rutherford 2000).

- Identify existing formal and informal forms of finance that poor individuals and households actually use to manage these risks and take advantage of opportunities. Identify the existing formal and informal financial and institutional landscape. Catalogue the features/characteristics of this landscape.

- Study how (and under what circumstances) poor individuals and household use these existing resources and institutions.

- Assess the adequacy of these resources for meeting client needs for chunks of money. Identify gaps and needs.

- Analyze the potential for improving existing products, delivery mechanisms, and institutions. Analyze the potential for new products, delivery mechanisms, and institutional partnerships.

- Discuss these new or improved product concepts with potential clients, with a focus on appropriateness for different groups (wealth level, household characteristics, geographic location, etc.).

- Use this information to refine the concept and design a preliminary product or products to test out in a pilot test.

A. Step One: Market Research

Purpose: To understand the nature of risks facing poor people and the current and potential role of formal and informal sources of finance in helping them manage risks.

Process:

1. Review key concepts and definitions to guide the study of risks, coping strategies, their relative effectiveness and the role of financial services. Adapt concepts and definitions to specific context [Appendix 1].

2. Develop a profile of potential MFI clients, focusing on risks, financial strategies to mitigate and cope with risk, and their financial needs [Appendix 2]:

   - Wealth ranking *(wealth ranking tool);*
   - Risk profile – key risks facing poor individuals and households within communities– including risks associated with participation in formal and informal borrowing and saving systems *(very select/refined PRA tools)*;
   - How poor individuals and household use existing formal and informal financial services to manage risks and take advantage of opportunities *(loan and savings use tool)*; and
   - Existing debt profile [Appendix 3].

3. Map the financial landscape [Appendix 4]:

   - Start with formal and informal sources of finance mentioned in developing the above profile;
   - Use key informants to identify other formal and informal sources of finance in communities; and
   - Conduct interviews of sources within communities to confirm terms and conditions *(example of details on each source are included in Appendix 4).*

4. Analyze the overall financial landscape considering issues such as:

   - Who uses what formal and informal financial services;
   - Under what circumstances do they use these services;
   - The time frame in terms of timeliness of access and repayment period; and
   - How this relates to managing risk.

B. Step Two: Product Concept Development

Purpose: Identify gaps in the types of financial services available in a community. Focus on the range of services available to different groups of people in the community and identify gaps for specific groups; identify other limitations for poor people of current formal and informal sources of finance in the terms, conditions and other features.

Process:

1. Assess the relative effectiveness of formal and informal source for particular groups of people and/or for particular needs [See Appendix 5 for analysis matrix].

2. Identify gaps and inadequacies in existing formal and informal financial products and services for particular groups of people and/or for particular needs. (For example, high costs, barriers to access, inadequate for repeated needs, inaccessible to very poor, inaccessible to women, reliability, other implied obligations).

3. Process this information and use it to conceptualize alternative financial products that would meet the unmet and priority needs of poor.

4. Develop preliminary product concepts (types of financial services, terms and conditions, delivery mechanisms, etc.).

5. Once general product concepts are developed, go back to individuals within the community to discuss alternative financial services (savings, insurance, etc.) to refine concept.

C. Step Three: Preliminary Product Design

Purpose: To define preliminary parameters of the product or products and identify potential institutional partnerships.

Process:

1. Hold focus group discussions to get feedback and input from potential clients (different groups) on product concept and design [*See Appendix 6 for focus group discussion guide*].

2. Meet with potential institutional partners (if new) to assess their interest and get feedback and input on product concept and design.

3. Focus on one or two products with good potential.

4. Refine product design and prepare for feasibility analysis.

IV. END NOTE

This technical note presents examples of some simple, low cost and practical approaches to obtaining information on the financial service needs and preferences of the poor. It further suggests how information like this can be processed and used to identify financial product concepts and design for particular markets in a community. These examples are not blueprints, but rather they are intended to stimulate thinking on how to approach market research on the needs and preferences of the poor. In developing new tools, it is important to tailor them to the characteristics of the market and its local environment and to the objectives, timeframe, and budget of a particular market research effort.

Appendix 1: Concepts and Definitions

Source: AIMS study of microfinance, risk management and poverty

To develop insurance products and other financial services to reduce the vulnerability of rural women, it is useful to define risk and vulnerability as it applies to their situation. Some working definitions are offered below.

Risk:

Risk may be defined as the chance of a loss or the loss itself.

Sources of risk:

Rural women and their families at all poverty levels are vulnerable to frequent and wide-ranging risks. Risks are associated with <u>structural factors</u> such as seasonality, inflation, or the vagaries of weather; <u>unexpected emergencies</u> such as sickness or unexpected death of a family member, disability or loss of employment, fires and theft; and the high costs associated with <u>life cycle events</u> such as marriages, funerals, and educating children. Risks associated with <u>operating an enterprise</u> include price fluctuations, high competition, limited market access and information, hiring labor, or investing in technology. Risks associated with <u>taking a loan</u> include the stress of loan repayments; or, in the case of default, loss of access to an important coping mechanism; or, if they sell assets to repay loans, less ability to manage future risks.

Vulnerability:

Vulnerability may be defined as the capacity of an individual or household to deal with a risky event. The capacity to deal with a risky event depends on the cost or size of the loss relative to the household's resource base. It also depends on whether or not the individual or household has been able to plan a risk management response ahead of time, which relates to the degree of uncertainty associated with the risk event. The degree of uncertainty relates to *if* it will occur, *when* it will occur, or *how often* it will occur (Brown and Churchill 1999). Finally, the capacity to deal with risk will be affected by whether it is covariant (events that affect all households at the same time) or idiosyncratic (events that affect only some households).

Vulnerability is closely linked to ***asset ownership***. The capacity to deal with risks depends on the resources available to an individual or household to protect against them ahead of time and manage losses afterwards. The asset base of a household is a critical factor in its ability to exploit opportunities and to resist and recover from the negative effects of shocks and economic stress events. For the purpose of this activity assets may be classified broadly into four groups:

- ***financial assets*** including cash, savings, loans and gifts, regular remittances or pensions, other financial instruments;

- ***physical assets*** including housing, buildings and land and improvements to these, land and other physical items which maintain or increase in value such as gold jewelry, or physical items that decrease in value including consumer durables such as household appliances, shoes, clothing, and vehicles, productive assets, including fixed enterprise assets;

- ***human assets*** including skills and knowledge, ability to labor, good health, self esteem, bargaining power, autonomy, control over decisions; and

- ***social assets*** including networks, membership of groups, relationships of trust, access to wider institutions of society, freedom from violence.

At any one time, assets can be built up, depleted, or exhausted. Patterns of asset accumulation, divestiture, or liquidation and of assuming liabilities are indicative of strategies employed by individuals and households to take risks, protect against risks, and cope with losses.

Strategies rural women use to manage risk:

Rural women can do different things ***ahead of time to reduce risk (ex ante strategies)***. These actions may include diversifying sources of income, accumulating savings and other assets (physical, financial, human and social), diversifying assets to include those that can be liquidated easily, and investing in insurance. A strategy to protect against risk described by Rutherford (2000) is for people to manage their money well by: 1) hanging on to what they have, particularly productive assets, 2) avoiding unnecessary expenditure, and 3) finding a safe place to store whatever is left over. Having a steady flow of income and a solid base of assets enables rural women to meet needs when they arise and take advantage of investment opportunities when they present themselves. Related strategies to reduce risk may include consolidating savings; building stocks of food, money, or other valuables; adopting risk-reducing technologies; making social investments in reciprocal systems among households; making human investments in education and health; making physical investments in housing, equipment, and land; and improving women's bargaining power, autonomy and control over decision-making, income, and other resources.

After a shock or economic stress event hits, individuals and households use a wide range of ***strategies for managing loss (ex post strategies)***. The loss management strategy selected will be based on: 1) the type of shock or economic stress event, 2) the timing and sequencing of the shock or economic stress event, 3) its frequency, 4) whether the shock or economic stress event is idiosyncratic or covariant, 5) whether it is temporary or permanent, 6) the cost of the shock, and 7) the resources and options available to a particular individual or household. In some cases people draw on resources internal to the household (self-insurance), and in some cases they draw on resources from outside the household (informal or formal group-based measures to share risks). Some strategies are more negative than others and can reduce the household's longer-term income prospects.

Strategies for managing loss can be categorized into three basic groups: 1) consumption-modifying strategies; 2) income-raising strategies; and 3) personal financial intermediation (drawing on savings deposits, drawing on insurance, or taking loans).

Loss management strategies may further be classified according to their level of stress. Shocks and economic stress events that result in minor shortfalls in income and are reversible can be met through low-stress coping strategies, such as spending less or mobilizing labor. More sudden and less reversible shocks require medium-stress coping strategies such as using up cash savings, borrowing from friends or relatives, or drawing on other social assets. Major crises and severe nonreversible economic stress events are likely to demand high-stress coping strategies such as selling off productive assets or pulling children out of school, both of which have longer-term negative consequences for the household. The stress level of a loss management strategy is one indicator of the vulnerability of an individual or household.

Appendix 2: Wealth Ranking

Source: Center for Microfinance, Nepal study of risk and vulnerability of rural women

Methodology

A facilitator and three key informants will carry out wealth ranking of Saving and Credit Organization (SCO) member and non-member households. The wealth ranking will involve 30 to 50 households in each of the two research sites. The ratio of SCO members to non-members will be 2 to 1. The purpose of the wealth ranking will be two fold:

- First, it will provide a means to explore community centered definitions and indicators of poverty and vulnerability, with an emphasis on issues related to risk, vulnerability and assets of households at different poverty levels. It is anticipated that this information will reveal some insight on community perceptions of 'pathways' out of poverty as it related to reducing risks and building assets.

- Second, the wealth ranking will be used to identify SCO member and non-member households from three wealth levels to participate in the following research activities: individual loan and savings use interviews, and group PRA workshops.

See example of analysis of wealth ranking information in Table 1.

Table 1: Analysis of Wealth Ranking Information

	Amount of Land	*Income Sources*	*Size of Family*	*Education*	*Source of Medical Care*	*Type of House*	*Physical Assets*	*Nutritional Intake*
High wealth households	10 to 39 Ropanis[2]	Have diversified and strong base of income e.g. Selling crops, milk &livestock, House rental, Salary earning, Pension etc.	5-7 family members	Children study mainly at private school	Nearest city hospital /local health clinic then to Katmandu Some go to India for specialized treatment	2-3story permanent house	Have strong asset base with kitchen utensils, jewelry and cattle like cows, buffalos and goats	3 meals per day with good nutritional in-take. Food sufficiency for whole year
Middle wealth households	4 to 26 Ropanis	Have diversified sources of income e.g. selling milk, Crops & Livestock, Salary earning pension etc.	5-7 family members	Children study mainly at governme nt school (Most adults have low education level - basic literacy)	Nearest city hospital/local health clinic then to Katmandu Some go to India for specialized treatment	1-2 story stone & mud house and some have permanent house	Some kitchen utensils, jewelry and cows and goats. Very few have buffalos	3 meals per day - but more basic food (i.e. less meat and fruit) Food sufficiency 6-8 months
Low wealth households	0.5 to 6.5 Ropanis or less	Have only few sources of income e.g. selling crops, Milk, livestock and wage earning	5-7 total family members	Children study at governme nt schools. (Most adults are literate)	Home treatment for most illness. Village medical shop/clinic for serious illness. May go to city hospital and Kathmandu for extreme cases	1-2 story small mudstone house with thatched roof. Slowly moving from hut to a permanent home	Basic kitchen utensils, jewelry and cows, pigs and goats. Some keep buffalo or cows on sharing basis	2-3 meals per day - but more basic food (i.e. less meat and fruit) Food sufficiency 2-3 months

[2] 1 Bigha = 13 Ropani
20 Ropani = 1 Hector

Appendix 3: Loan and Savings Use Tool

Source: SEEP/AIMS Impact Assessment Tools and adapted by 1) Center for Microfinance, Nepal for study of risk and vulnerability of rural women in Nepal and 2) AIMS study of microfinance, risk management and poverty.

Purpose**:** The purpose of these interviews will be to generate information on loan and savings use strategies over the period of time the person has been a member of the SCO.   They will focus on the use of savings and loans to protect against risks ahead of time and cope with losses resulting from a risk event. If relevant, it will consider the use of loans and savings from sources including, but not restricted to, the SCO.   Basic background information on each of the SCO clients participating in these interviews will be collected using a simple background information matrix (see Appendix 5). This will include relevant demographic and household economic portfolio data, including information on asset ownership. This information will enable the research results to be analyzed for different sub-groups of rural women as appropriate (for example, by age group, type of enterprise activity, or asset ownership).

Methodology**:** Individual interviews will be carried out with 15 to 18 current clients of SCOs in each of the two field sites.   The interviews will involve five to six individuals from each wealth group.

Adapted from "LOAN USE STRATEGIES OVER TIME" by Nancy E. Horn, Ph.D., SEEP/AIMS

<u>TOOL 1: LOAN USE INTERVIEW GUIDE</u>

Use one for each loan or each year's participation in the program. Probe as necessary.

TOOL #1: Client ID_____ Loan # ____ Loan amount ________ Date received _____ Repayment period _____ # Installments _____
1. How did you use this loan? In what was it invested?
2. Why did you invest the loan in these ways?
3. Who decided to use the loan in these ways?
4. What were the results?
5. Did they generate a surplus/ profit? If so, how much do you estimate?
6. If there was a surplus/were profits, what did you do with them?
7. What would you have done if you had not taken this loan?
8. Have you experienced a crisis such as [to be filled in] over the past [time period]? If so, did you use your loan to help cope with this crisis?

TOOL 2: SAVINGS USE INTERVIEW GUIDE

Use for each savings withdrawal over the past two years. If there have been no withdrawals over the past two years, use for the last three withdrawals.

TOOL #2: Client ID ___ Current amount in savings account _____ Savings withdrawal # ______ Amount withdrawn _____ Mo/Yr of withdrawal _______
Introductory question: Why did you decide to open a savings account? What are you saving for?
1. How did you use this savings? In what was it invested?
2. Why did you invest the savings in these ways?
3. Who decided to use the savings in these ways?
4. What were the results?
5. Did they generate a surplus/ profit? If so, how much do you estimate?
6. If there was a surplus/were profits, what did you do with them?
7. What would you have done if you had not had these savings?

LOAN USE ANALYSIS TABLE

	Loan 1	Loan 2	Loan 3
Loan amount			
Loan date			
repayment structure			
How used			
Who made decision			
Results			
Profits			
Use of profits			
No loan scenario			
Crisis			
Savings			

Example of analysis of information from the loan and savings use tool

Name: Kanchi Danwar(II)

Location: Panchkhal VDC, Dhotra, Kavre District, Nepal.

General Information: 56, illiterate, married, 6 persons in the household, all adults, husband leprosy diseased and one son disabled, 3 engaged in work, one salaried, one son bus driver, one son ran away from home last year. Her family lives in a 2 storeyed, stone walled, thatched roof own house, equipped with electricity; has 1 cow, 2 goats and 10 chicken, has 1.5 ropani self land, 1.5 ropani guthi land (land of religious institution, has to pay Rs.400/year for that), 3 ropani is tenant land, household debt is 40,000, saving in her account is 2650, no insurance.

Background: Kanchi, a small farmer, works in the farm for family livelihood, main source of household income is agriculture, this is supplemented by rented ploughing oxen, 1 salary work, when her husband got leprosy income reduced from farm, she joined the group and started taking loans from the Bank prior to SCO to increase agri production; generates income that she controls. She has taken 3 times loan from the bank and 5 times from revolving fond of SCO.

Household Structure: 5 person household, husband 62, leprosy diseased since 13 years, looks after the livestock, elder son suffered from polio by birth, can't walk by foot. Client and her second son a minibus driver (salaried) and his wife work for the household income. They also go to Parma to save the wages during agri seasons. Client claims herself to be the head of household as her husband cannot do work and she has to bear all the responsibility of the whole family.

Loan Use: Kanchi used all the three loans (Rs.8,000, Rs.9,000, Rs.10,000) from the Bank to increase potato cultivation with self decisions. The profit from the first loan after repayment was 12,000, spent 6,000 on household expenses and saved 6,000 at home for next potato cultivation season. Over the 2nd loan cycle, she made a profit of 15,000, saved 10,000 for next agricultural season and 4,000 for household expenses. The third loan gave the profit of 16,000 from which she used 5,000 for household expenses and 10,000 for next crop cycle.

Interaction with other financial institutions: Prior to SCO, client was taking loan from the Bank and she still has group account in the Bank. She wants to keep the account in the Bank to take further loan.

Crises and Responses: The crises that client faced were health and lifecycle related. Her husband got leprosy since 13 years, spent 30,000 to diagnose, and borrowed from relatives, friends and neighbours. Husband's inability to work resulted weak financial condition in the household. Also her elder son disabled from polio can't work, had to be fed and served by the client's income and time, which decreased household income. Her son's marriage demanded extra 25,000 cash, there was no savings for it, borrowed 10,000 from daughter-in-law's house and 15,000 from daughter's house to respond this crises, putting her into debt.

Name: Kanchi Danwar (I)		Date 6th June,2000	
	I	**II**	**III**
Loan Amount (Rs.)	5,000	10,000	12,000
Date Received	1/1998	6/1998	6/1999
Repayment Period	6 months	6 months	6 months
No. of Installments	1	1	1
Interest Rate	18%	18%	18%
Use of Loan	2,000, repaid previous loan; 2,000 tomato and chili farming	potato cultivation	potato cultivation
Explanation of Use of Loan Funds	Wanted to use all the loan money for potato and chili farming; however repayment was due with a friend, and needed to use loan for that too.	Potato cultivation was profitable than grains.	Wanted to earn more by doing share cropping in 3 ropani more land.
Changes as Consequences To Access To Loan Funds	Production of both the crops was good, but market price for tomato was very low compared to previous season; chili was profitable; repaid by selling chili, loss of family income.	Production was good; had to share 50% to landowner, helped for family livelihood, and repaid 8,000 from potato and 2,000 credit from landowner.	Production increased, market price very low, 50% share made loss, repaid by selling chilies, tomato and taken loan from relative.
Who Decides Loan Use	Husband initiated, joint decision	Husband initiated, joint decision	Husband only
Alternative If No access to Credit	Would have asked the share cropping landowners that give small loan without interest for short period in exchange of her free work in their house.	Would have approached to several persons- relatives, friends, and landowners. Each source does not provide more than 3,000 loan without interest.	Would have taken fertilizer, seed and insecticides in credit; for rest would have approached to share cropping landowner.
Profit/Surplus/Loss	Rs. 6000 profit used for education and household expenses.	Family consumption for 6 months (about 1,000) is the profit, but still 2,000 were short fall of cash for repayment.	Losses of 6210 due to lower market price.
Crises and Responses	Shortfall of tomato market price, compensated by selling chilies, father in law sick, responded by free medicine provided by health assistant.	Slight lowered market price of potato made the family tensed for repayment, but made it clear by borrowing from landowner	Heavy fall in potato market price, responded by selling other crop which could have been used for family betterment, and taking 5,000 from the relatives.
Savings	Client has savings accounts in three different institutions- Nepal Bank Limited, SCO and Mother's group. But she does not know the amounts. She wants to save for the loan and use the savings in agricultural activity. She has used Rs.3, 000 from the Bank savings for buying insecticides for crops. She does not know the withdrawal conditions.		
Note	Client has taken loan 8 times from the SCO revolving fund after joining it during agricultural seasons with joint decisions with her husband, repaid back by selling the crops, the profits (she did not know the amount) were used for household expenses.		

Appendix 4: PRA Workshops on Risks and Coping Strategies

Source: MicroSave-Africa Market Research for Microfinance Tools adapted by Center for Microfinance to study risk and vulnerability of rural women in Nepal

The Participatory Rapid Appraisal (PRA) workshops are intended to identify priority risks, as well as strategies that clients and non-clients use to deal with risks in each of the field sites. Depending on the scope and purpose of the market research, the PRA workshops could focus on a time series of shocks and economic stress events, specific life cycle risks, business/enterprise related risks, or risks associated with seasonality. Particular emphasis will be given to informal and formal financial systems as well as the use of assets to mitigate risk (ex ante) and (ex post) to cope with shocks. Each PRA workshop will involve six to eight participants. Workshop participants will be grouped according to their client/non-client status; poverty level; and gender.

Basic background information on the women participating in these workshops and individual interviews will be collected using a simple data collection instrument. This will include relevant demographic and household economic portfolio data, including information on asset ownership. This information will enable the research results to be analyzed for different sub-groups of rural women as appropriate (for example, by age group, type of enterprise activity, or asset ownership). (See Appendix 5.)

These research methods will generate primarily qualitative data. The analysis of the data will involve several steps. The first will be to summarize the data from each individual interview or workshop. The second step will be to further reduce and summarize the data using one or more matrices along the lines of examples presented in the tables below. This would provide a basis for examining the data systematically, identifying patterns and trends, and interpreting the findings in relation to the four main research questions. On the basis of this analysis, conclusions may be drawn regarding priority insurance needs of rural women and implications for the design of appropriate insurance products and other financial services (elaborated in Appendices 7 and 8).

Examples of table for organizing and analyzing data on risks and coping strategies

Seasonality analysis of income, expenses, savings and credit

Name of the Group	Income sources	Expenses	Places of Savings& frequencies	Sources of Credit
Middle	▪ Agriculture ▪ Livestock ▪ Vegetable production	▪ Medical ▪ Education ▪ Festivals ▪ Religious ▪ Consumption ▪ Clothing ▪ Interest on loan ▪ Agriculture	▪ SFCL/Monthly Rs.3 0-100 ▪ WSS/Monthly Rs.200-500	▪ SFCL&WSS ▪ Neighbors ▪ Relatives
Poor	▪ Agriculture ▪ Livestock ▪ Vegetable production ▪ Seasonal wage earning	▪ Education ▪ Livestock ▪ Consumption ▪ Agriculture ▪ Medical ▪ Clothing ▪ Festivals ▪ Electricity & Water ▪ Transportation ▪ Religious	▪ SFCL/Monthly Rs.30-100 ▪ WSS/Monthly Rs.200-500	▪ SFCL&WSS ▪ Neighbors ▪ Relatives
Mixed	▪ Agriculture ▪ Temporary job in India ▪ Livestock	▪ Education ▪ Electricity ▪ Agriculture ▪ Guest ▪ Clothing ▪ Consumption ▪ Medical ▪ Transportation ▪ Religious ▪ Festivals	▪ SFCL/Monthly Rs.50 ▪ WSS/Monthly Rs.200 ▪ Mother group (No regular savings but collection of fund for social welfare activities)	▪ SFCL&WSS ▪ Mother group ▪ Neighbors ▪ Relatives

Most frequent and costly risks by wealth level

<table>
<tr><td>Kunjalapur wada No 6
(Mixed)</td><td>Das Number wada No. 2
(Middle poor)</td><td>Das Number wada No. 2
(Poor)</td></tr>
<tr><td>Shocks and Economic stress events
Death of income earner and other family members
Sickness
Pregnancy & child delivery
Marriage
Education
Maintenance of house and cow shed
Building house</td><td>Shocks and Economic stress events
Marriage
Death of income earner and other family member
Sickness
Building house
Death of cattle
Disease in crops
Education</td><td>Shocks and Economic stress events
Sickness (Pregnancy & delivery, snake bite)
Marriage
Building house
Education
Funeral
Social and religious activities</td></tr>
<tr><td>More frequent and costly risks in priority order
Death of family member
Pregnancy & child delivery
Sickness
Marriage
Education
Renovation of house and cow shed</td><td>More frequent and costly risks in priority order
Marriage
Death of income earner and other family member
Sickness
Death of cattle
Disease in crops</td><td>More frequent and costly risks in priority order
Sickness (pregnancy & delivery, snake bite)
Marriage
Building house
Education
Funeral</td></tr>
</table>

Coping strategies by wealth level and by key risks

Key risks	Coping Strategies: Kunjalapur wada No 6 (Mixed)	Coping Strategies: Das Number wada – 2 (Middle poor)	Coping Strategies: Das Number wada – 2 (Poor)
Death	▪ Collection of Rs. 100 from the member of the community. ▪ Use of own savings ▪ Sale of grains, cattle ▪ Loan from SFCL, WSS and mother group ▪ Loan from relatives and friends ▪ Help from relatives, friends and neighbors	▪ If very poor died every body in the society help ▪ Help by providing free laborer in plantation and harvesting the crops ▪ Use of own savings ▪ Sale of grains, cattle ▪ Loan from SFCL, WSS and mother group ▪ Loan from relatives and friends ▪ Help from relatives, friends and neighbors	▪ If very poor died every body in the society help ▪ Help by providing free laborer in plantation and harvesting the crops ▪ Use of own savings ▪ Sale of grains, cattle and assets. ▪ Loan from SFCL, WSS and mother group ▪ Loan from relatives and friends ▪ Help from relatives, friends and neighbors
Marriage	▪ Collection of Rs. 100 from the member of the community. ▪ Use of own savings ▪ Sale of grains, cattle ▪ Loan from SFCL, WSS and mother group ▪ Loan from relatives and friends ▪ Help from relatives, friends and neighbors	▪ Expenses in marriage according to wealth or income sources ▪ Use of own savings ▪ Sale of grains, cattle and gold ▪ Loan from SFCL, WSS and mother group ▪ Loan from relatives and friends ▪ Help from relatives, friends and neighbors	▪ Expenses in marriage according to wealth or income sources ▪ Use of own savings ▪ Sale of grains, cattle and land ▪ Loan from SFCL, WSS and mother group ▪ Loan from relatives and friends ▪ Help from relatives, friends and neighbors
Building house	▪ Use of own savings ▪ Taking loan[3] ▪ Sale of land	▪ build the house on step by step ▪ Use of own savings ▪ Taking loan ▪ Sale of land	▪ build the house on step by step ▪ Use of own savings ▪ Taking loan ▪ Sale of land
Maintenance of building	▪ Use of own savings ▪ Taking loan	▪ Use of own savings ▪ Taking loan	▪ Use of own savings ▪ Taking loan
Sickness	▪ Use of own savings ▪ Taking loan	▪ Use of own savings ▪ Taking loan	▪ Use of own savings ▪ Taking loan
Death of Cattle	▪ At present livestock insurance; before taking loan and use of own savings	▪ Livestock insurance	▪ Livestock insurance
Education	▪ Own savings (the poor send their children in government school and the middle poor and rich send their children in private boarding school)	▪ Own savings (the poor send their children in government school and the middle poor and rich send their children in private boarding school)	▪ Own savings (the poor send their children in government school and the middle poor and rich send their children in private boarding school)

[3] Taking loan means, loan from SFCL, WSS, mother group, relatives and friends

Appendix 5: Background Information

Source: AIMS study of microfinance, risk management and poverty adapted by Center for Microfinance Nepal to study risk and vulnerability of rural women

Date:______ Location____________ Group: (circle one) PRA Participants / Loan use interviewees / Wealth ranking key informants

Participant Identification	#1	#2	#3	#4
Gender (m/f)				
Marital status (s/m/d/w/other)				
Age				
Highest level education attained (code)				
HOUSEHOLD INFORMATION				
Total number persons in household				
Number persons in HH 17 years and older				
Number persons in HH 16 years and younger				
Number children 6-16 years in school				
Gender of primary income earner (m/f)				
Number of household members engaged in work over past year that earns income				
HOUSEHOLD INCOME SOURCES IN PAST 12 MONTHS				
Business/enterprise (number enterprises) (y/n)				
Crop Sales (y/n)				
Livestock sales (y/n)				
Milk and egg sales (y/n)				
Seasonal agricultural labor (# earners)				
Casual/part time work (# earners)				
Salaried/wage (# earners)				
Rental income (# sources)				
Remittances, transfers, gifts				

Other (specify)				
HOUSEHOLD ASSETS				
Cultivatable land area over 20 ropani (y/n)				
Land tenure status (code)				
Number livestock (code)				
Type of roof (code)				
Number of stories				
Type of walls (code)				
Electricity in dwelling (y/n)				
Total amount of outstanding household debt				
LOAN AND SAVINGS INFORMATION				
Number Program loans received				
Loan #1 amount				
Loan #2 amount				
Loan #3 amount				
Cash savings account (code)				
Current balance in each cash savings account				
Last withdrawal from each savings account (amount withdrawn and date)				
Total amount withdrawn in past year				
Type of insurance (code)				
Monthly premium (Rs)				
Purpose of claim on insurance in last two years				
Use of insurance payment				

CODES:

Highest educational level attained

1= none, non-literate
2= none, literate
3= primary
4= secondary
5= post secondary

Land Tenure status:

1= debt free ownership
2= mortgaged
3= Other (specify)

Livestock: indicate number and letter
a = buffalo
b = cattle
c = goats
d = chicken
e = other (specify)

Type of roof

1=thatched
2=zinc sheets
3= slate
4= cement tile
5=Pucca
6=other (specify)

Type of walls

1= mud
2= brick
3= cement blocks
4= stone
5= bamboo
6= wood
7= other (specify)

Cash savings account
1 = SCO account
2 = Other (specify)

Type of Insurance:

1= livestock
2= health
3= property
4= life for respondent
5= life for spouse
6= other (specify

Appendix 6: Mapping the Financial Landscape

Source: Center for Microfinance, Nepal study of risk and vulnerability of rural women

Example of Rural Women's Financial Landscape from Kavre District Nepal

Financial service	Number of members	Interest rate per annum[4]	Loan size (Rs.)	Term of loan	Repayment rate	Ease of access to funds
Nepal Bank						
Savings	n.a.	5%	n.a.	n.a.	n.a.	n.a.
Savings and Credit Organization (SCO)						
Credit[5]	1,700	15-17%	Starts at 5,000	1-2 years	96%	High
Savings		5-11%[6]	n.a.	Festival savings are for one year only	n.a.	Low
Revolving funds[7]	n.a.	n.a.	n.a.	n.a.	n.a.	High
Social sector loan	n.a.	16%	15,000 – 17,000[8]	Up to 2 years	n.a.	High
Emergency fund	n.a.	5%	5,000	3 months	n.a.	n.a.
Mother's group						
Credit	45	20%	600-5,000	2 months	n.a.	High
Savings		No interest	50/mo	n.a.	n.a.	Very timely
Landowner						
Credit[9]		50% of crop share	n.a.	n.a.	n.a.	High
Money lender						
Credit	n.a.	24-36%[10]	Loan amount based on trust and asset base[11]	Short term and long term	n.a.	High
Women's Group						
Credit[12]	12	18%	10,000-18,000	1 year	100%	n.a.
Family and friends						
Credit	n.a.	No interest		Less than 1 week	n.a.	High

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[4] Interest is charged on outstanding balances, not on a flat rate basis
[5] Includes group loan at 15% interest and individual loan at 17% interest
[6] Includes festival savings at 9%; daily savings at 10%; and education savings for children up to 16 years at 5%
[7] This fund is used to buy back member's shares when they leave the Cooperative
[8] Minimum 5,000 and maximum 50,000 (?)
[9] The role of sharecropping is declining in this area
[10] For loans of less than Rs. 100, a 5% service charge is deducted at the time of the loan
[11] Maximum amount is Rs. 400,000 (?)
[12] Monthly meeting at which members deposit Rs. 100 (?)

Appendix 7: Example of Analysis of Data on the Relative Effectiveness of Current Risk Management Strategies by Risk

Source: Center for Microfinance, Nepal study of risk and vulnerability of rural women

Risk	Risk management strategies	Relative effectiveness of strategies
Death of a family member	*Individual 'self insurance' strategies* • Use savings (low stress) • Sell assets: – Grain (low stress) – Cattle (medium stress) – Land (high stress) – Gold (medium stress) – Other assets • Borrow from: – Cooperative – SFCL – WSS – From money lender – Savings group – Mother's group – Relatives – Friends – Money lender • Receive help from relatives, friends, and neighbors *Group based strategies* • Community members donate money (Rs. 20 in Kavre; Rs. 100 in Rupandhehi) • Community members donate rice (1 KG rice in Kavre; 2 KG rice in Rupandhehi) • Community members donate free labor during planting and harvesting time	• All community members contribute money (Rs. 20-100) and rice (Kg. 1 – Kg. 2). Lower amounts in hills; higher amounts in *tarai*. These community contributions cover an estimated 25% to 35% of ceremonial costs. All community members benefit equally from this system. • All families depend equally on family support systems following the death of a member • Cooperative members can borrow from the coop emergency fund if necessary. • Middle class families cover other costs by using savings or selling assets. They plan ahead and use more proactive strategies. They have stronger social networks to rely on. • Poorer families often cover other costs by borrowing from moneylenders. They risk losing their collateralized land and house. They have weaker social networks to rely on. • Borrowing from local moneylenders is easy and generally open to all, but risky. • Newar and Thakali communities use ROSCAs to cover costs associated with death/funerals. ROSCA funds cover almost all of costs 90%. Group based strategies don't cover all communities. *Summary*: Group based strategies don't cover all costs. Borrowing strategies: people still have to pay back quickly. Interest rates high. Especially risky if income died. (*Costs*: money immediately following death for burial cloth and burning; food to feed people during the 13 day mourning period following death; ceremonial and priest costs after the 13 day mourning period.)

Risk	Risk management strategies	Relative effectiveness of strategies
Illness or Maternity	• Use personal/family savings • Use cash that women hide at home specifically for health and maternity needs and emergencies • Participate in informal savings groups • Receive help from family and friends • Receive emergency loans from mother's groups • Take loan from coops • Borrow from moneylender (especially for medical care outside village)	• Existing coping strategies are relatively effective/low stress for use of village-based health services. However, village services are generally limited in terms of quality and range of services. • When people have to go outside the village, existing coping strategies are not very effective and more stressful. They are very expensive Big problem, especially for poor people. • Borrowing is not an option for everyone (example of 11 year-old girl who fell from tree, broke leg. Mother could not access emergency loan from cooperative because she already one already; no one in village would lend to her because she was poor and had no capacity to pay; girl lame) If people borrow, they still have to come up with repayments – stressful. (*Costs*: Medicine; higher quality medical service, more specialized medical service; hospitalization; transport expenses for care outside village)
Risk of taking a loan or indebtedness	• Maintain access to multiple sources of credit/financial services • Purchase loan insurance • Repay on time • Diversify income (e.g. remittances)	• Depends on degree of enterprise risk. How quick it can give a return. How profitable the enterprise • Depends on the ability of client/household to manage other risks that reduce or interrupt income, increase indebtedness, or that place economic stress on the client or household
Death of cattle	• Borrow to replace livestock • Purchase livestock insurance • Use veterinary services • Diversify income sources	Government livestock insurance program subsidized and cheaper (3%), but claim process is lengthy and cumbersome. Takes up to 6 months. Non-government ADBN promoted cooperative insurance scheme subsidized by 50% (still 10% for clients) but still expensive but more efficient. Other cooperative managed livestock insurance schemes more efficient, but more expensive (up to 10%). Still notes
Seasonality (Related to agricultural cycles and festivals)	• Take loan from cooperatives (lower stress) • Take supplier credit (higher stress) • Borrow from moneylender (higher stress) • Use savings	• Cooperative loans expand options for inputs and reduce their cost • Supplier credit reduces options for inputs and increases their cost • Borrowing from moneylender is expensive and risky
Education expenses	• Use savings • Borrow from Mother's Group	• Middle poor and poor still cannot afford higher education (college level). • Higher quality education too expensive for people to

Risk	Risk management strategies	Relative effectiveness of strategies
	• Cooperative social loans	afford
Marriage expenses	• Use savings • Use marriage savings accounts • Sell grain Sell cattle • Borrow from relatives and friends • Borrow from cooperative • Borrow from moneylender	Poorer people use borrowing strategies, which place stress on households because interest high, repayments high Better off people use savings or sell assets, less stressful.
House building and maintenance	• Use savings • Borrow from cooperative, moneylender, mother group, (less so neighbors, relatives and friends). • Build on step by step basis • Sell land	Savings less stressful than borrowing.

Appendix 8: Example of Analysis of Data on New or Improved Savings, Credit or Micro-Insurance Products to Improve Risk Management Strategies

Source: Center for Microfinance Nepal study of risk and vulnerability of rural women

Risk	Risk management strategies	Savings, credit or micro-insurance products to improve risk management strategies
Death of a family member	*Individual 'self insurance' strategies* • Use savings (low stress) • Sell assets: – Grain (low stress) – Cattle (medium stress) – Land (high stress) – Gold (medium stress) – Other assets • Borrow from: – Cooperative – SFCL – WSS – From money lender – Savings group – Mother's group – Relatives – Friends – Money lender • Receive help from relatives, friends, and neighbors *Group based strategies* • Community members donate money (Rs. 20 in Kavre; Rs. 100 in Rupandhehi) • Community members donate rice (1 KG rice in Kavre; 2 KG rice in Rupandhehi) • Community members donate free labor during planting and harvesting time	*Life insurance tied to fixed savings accounts:* Develop and assess the feasibility of life insurance tied to fixed savings deposits. *Life/loan insurance:* Explore various options for insuring the outstanding balance of loan combined with fixed benefits to family upon death of a borrower. Review experience of NIRDHAN and CSD life/loan insurance programs. *Life insurance*: Hire a broker to work with insurance companies (perhaps through a bid process) to develop group life insurance plans for SCO and MFI clients.

Risk	Risk management strategies	Savings, credit or micro-insurance products to improve risk management strategies
Illness or maternity	• Use personal/family savings • Use cash that women hide at home specifically for health and maternity needs and emergencies • Participate in informal savings groups • Receive help from family and friends • Receive emergency loans from mother's groups • Take loan from coops • Borrow from moneylender (especially for medical care outside village)	*Maternity benefits*: Evaluate effectiveness of maternity benefit scheme of BYCCU; assess the potential for adapting maternity benefit scheme to CMF/CSA targeted women's cooperatives *Health insurance*: assess the feasibility of linking rural women's groups to existing health insurance plans *Health insurance*: Evaluate Eastern Nepal hospital based health plan for cooperative members. It involves free check ups; discounted medicine; and hospitalization coverage for cooperative members *Health insurance*: Evaluate effectiveness of BYCU plan that provides health cards to cooperative members (?)
Risk of taking a loan or indebtedness	• Maintain access to multiple sources of credit/financial services • Purchase loan insurance • Repay on time • Diversify income (e.g. remittances)	Loan insurance
Death of cattle	• Borrow to replace livestock • Purchase livestock insurance • Use veterinary services • Diversify income sources	*Cooperative managed livestock insurance*: Assess possibility for expanding existing non-governmental/ cooperative based insurance scheme to women's SCOs where livestock (milk) is the main source of income *Small livestock insurance*: Explore feasibility of developing livestock insurance product that covers goats and pigs (owned by poorer families and women)
Seasonality (related to agricultural cycles and festivals)	• Take loan from cooperatives (lower stress) • Take supplier credit (higher stress) • Borrow from moneylender (higher stress) • Use savings	Seasonal loans Pre-season savings accounts
Education expenses	• Use savings • Borrow from Mother's Group • Cooperative social loans	Educational savings plans *Educational savings products*: review operation, effectiveness and impact of girl child 'locked box' savings accounts (not necessarily tied to education)

Risk	Risk management strategies	Savings, credit or micro-insurance products to improve risk management strategies
Marriage expenses	• Use savings • Use marriage savings accounts • Sell grain • Sell cattle • Borrow from relatives and friends • Borrow from cooperative • Borrow from moneylender	Marriage savings plans *Marriage savings plans:* review operation, experience, and impact of child savings plans through cooperative banks
House building and maintenance	• Use savings • Borrow from cooperative, moneylender, mother group, (less so neighbors, relatives and friends). • Build on step by step basis • Sell land	Housing savings plans Housing loans *Housing loans*: review experience of NIRDHAN land and housing loans

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